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### ► To cite this version:

Ronan Le Velly. Is large-scale fair trade possible?. Edwin Zaccai. Sustainable consumption, ecology and fair trade, Routledge, pp.201-215, 2007. hal-00533326

**HAL Id: hal-00533326**

**<https://hal.science/hal-00533326>**

Submitted on 8 Nov 2010

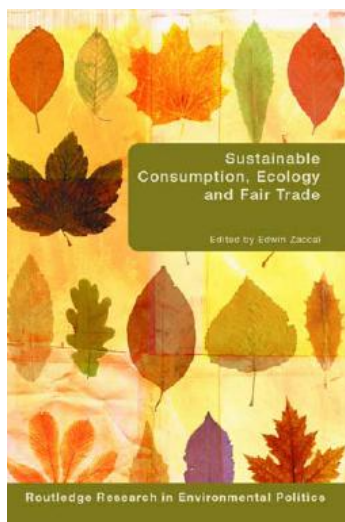
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# Is large-scale fair trade possible?

**Ronan Le Velly**

## Abstract



The article presents the changes in the nature of the market relationship that are induced by the expansion of fair trade. It shows that the increase in outlets leads to challenging working with “small producers”, the payment of a “fair price” that cannot be totally disconnected from market forces, and the rising impersonality of the producer-consumer relationship. Several types of fair trade on several scales are possible. The transition from a direct chain to an intermediated chain and then to a labelled chain increase the efficiency of trade but is accompanied by less opposition to the characteristics that fair trade activists attribute to the conventional market.

## INTRODUCTION

More than a billion euros’ worth of fair trade products was sold in the world in 2005. As a result of this relative commercial success, attention is now being paid to its potential as a way to combat poverty and contribute to sustainable development, despite the fact that fair trade has existed in most European countries for some three decades. The aim of this article is to show that this means more than just setting figures to the market shares that fair trade could achieve. Such a study is useful, but tends to mask the fact that fair trade is not a homogeneous reality. When we ask if large-scale fair trade is possible, we are actually trying to describe what type of fair trade can be envisioned on which scale. The question is not so much about the possibilities of outlets as about the changes in the trade relationship that the rising sales induce.

These questions come out of a field study that I conducted of the main French promoters of fair trade, namely, Artisans du Monde and Max Havelaar (see the boxed text at the end of

the introduction). In 2005, the network of Artisans du Monde shops posted a turnover of 10 million euros (this was twice the 2000 turnover), while a total of 120 million euros' worth of products bearing the Max Havelaar label was sold in France (this was twenty times as much as in 2000). Such advances cannot be explained without referring to the efforts that have been made over the past fifteen years. The Artisans du Monde network has increased and modernised its points of sale, and the quality of the foodstuffs and craftwork that they sell has improved considerably. Finally, under the impetus of Max Havelaar, fair trade products have come onto supermarket shelves. We are far from fair trade such as it existed in France until the early 1990s, that is, focused on tiny off-putting shops that a few rare consumers patronised as deliberate acts of commitment, buying coffee that was "disgusting" but "Sandinista".<sup>1</sup>

Yet for all that, fair trade advocates do not have an unequivocal interpretation of these developments. The activists are obviously overjoyed by the rising sales, which, as they point out, make it possible to reach a larger number of producers. However, on the other hand, the policies implemented to achieve these results can generate some unpleasant feelings. Many mention their fear of "selling their souls to the Devil" and, as a result of the compromises that they must make, "ending up as simple merchants". These worries are largely the result of the hybrid, if not contradictory, nature of the fair trade plan itself. Fair trade advocates want to build a different model of trade to oppose what they perceive to be the malfunctioning of "conventional trade". However, as soon as they also use certain capitalist economic gears to increase their sales, the question of the fair trade graft's being accepted or rejected arises.

One finding of this study is that this positioning does indeed generate contradictions. This text therefore looks into these tensions and how Artisans du Monde and Max Havelaar France's activists see them. It does not concern either the producers or the consumers directly, but takes as its starting point observation of the work to build trade between these two opposite ends of the production-consumption chain that is both opposed to and within the market.<sup>2</sup> We shall see first how difficult it is to offer products that meet the quality demands of the greatest number while working with "small producers". Then, in the same way, we shall see that fair prices are not set completely without reference to conventional market prices. Finally, the last two sections will be devoted to the centralisation of imports in the

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<sup>1</sup> See Gautier Pirotte's article in this volume for a description of Oxfam-World Shops' (*Magasins du Monde/Wereldwinkels*) patrons in Belgium.

<sup>2</sup> I translate the relatively neutral French term of "*filière*" by "chain" and prefer not to use the expressions "commodity chain", "value chain", and "supply chain", which have more specific theoretical meanings. See Raikes, Jensen & Ponte (2000) and Raynolds (2002).

Artisans du Monde network and the strategy of delegating commercial operations that is specific to the Max Havelaar system. These two situations will lead us to consider fair trade as a continuum of positioning assigning more or less weight to the desire to oppose or to participate fully in the market.

#### The Artisans du Monde network and Max Havelaar France system

The first Artisans du Monde shop opened in Paris in 1974, and the Artisans du Monde network is currently the largest French network of shops specialised in selling fair trade products (150 points of sale in 2005). The shops are run by volunteers, often aided by a part-time or full-time salaried employee. For the most part, they are not supplied directly with craftwork and foodstuffs from the Third World producers' groups whose commodities they sell, but order their supplies from specialised fair trade importers. Their primary supplier is Solidar'Monde, which was created at the initiative of the Artisans du Monde Federation in 1984.

Max Havelaar France, which was founded in 1992 following the example of the Dutch initiative of the same name, is a certifying body. In placing its logo on products it guarantees that these goods meet a set of formal criteria concerning production conditions and purchasing from the producers. In 2005, there were more than 100 registered traders in France (Alter Eco, Lobodis, Malongo, Solidar'Monde, and so on). They are the ones who do the work of importing and processing the commodities and searching for sales outlets. The commodities bearing the Max Havelaar label (coffee, tea, bananas, etc.) are then sold to consumers in all sorts of sales circuit, but mostly in hyper- and supermarkets.

The French organisations have been working in close co-operation with their foreign counterparts for the past ten years or so to harmonise the criteria for defining fair trade and to pool certain operations. Solidar'Monde is a member of the European Fair Trade Association (EFTA), which is a union of fair trade organisations (Gepa in Germany, Tradecraft in the United Kingdom, and so on) that co-ordinates its members activities when it comes to selecting and monitoring producers' groups. Similarly, Fairtrade Labelling Organizations International (FLO) sets the standards of the labelled system. FLO is an association of a score of national initiatives (Max Havelaar in France and the Netherlands, Transfair in Germany, Fairtrade in Great Britain and the United States, etc.). As a member of this framework, Max Havelaar France entrusts the operations of certifying producers' groups to FLO's auditors.

## **I. Which producers for which products?**

Studying the characteristics of the producers' groups targeted by fair trade is a way to approach the difficulty of being both against and in the market. This first part will be based on a reading of the principles and standards defined within EFTA and FLO (see the box above) and personal observations and interviews of French fair trade activists. This will enable us to grasp who the "small producers" with whom these activists wish to work are and to understand why it is so painful to demand that they produce "marketable products".

### **1. "Small producers"**

The term "small producers" has many meanings, but they are all aimed at building a type of trade that differs from conventional trade. First of all, the activists speak very often of "co-operatives of small producers" to assert the importance of the principles of democratic organisation and the observance of human rights in the workplace, even though all the groups are far from having this legal status. The co-operative ideal is thought of in opposition to the image of the large corporation employing a wage-earning workforce and assumed to be the epitome of domination and exploitation. Next, the term "small producers" refers to the goal of preserving cultural traditions. Artisans du Monde's activists want the products that are sold in their shops to be made according to models and techniques that are faithful to their country of origin's traditions. In so doing, they wish to showcase the richness of their partners' skills and know-how. But, even more important, through this criterion they wish to show that they are not involved in a dominant relationship, one of sending out orders that the craftsman fills. From this perspective, working with small-scale producers seems to be a guarantee of true craftsmanship and cottage-industry work involving little mechanisation, standardisation, and acculturation of the goods. Finally, and most important, through this term the fair trade organisations are targeting "marginalised small producers". Fair trade strives to give organisations that which conventional trade does not: Because of their small size, low investment level, handicaps, or discrimination, small producers are described as having no access to the conventional market or failing to get satisfactory payment for their work. The conventional market is seen as functioning to the detriment of the "disadvantaged producers who do not have the means to make it on their own and finally live at the mercy of large companies"<sup>3</sup> Working with small producers without wielding the market power that this procures is yet another way to assert fair trade's difference.

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<sup>3</sup> Max Havelaar France volunteer interviewed on 18 February 2004.

## **2. “Marketable products”**

Since the early 1990s, fair trade advocates in France and the other European countries alike have no longer contented themselves with a symbolic denunciatory function. They want to expand market outlets beyond died-in-the-wool activists in order to support the producers’ development fully. To do this, efforts to “professionalise” operations were made first in the North (locating the shops in more central shopping areas, training the volunteers in sales techniques, hiring employees, selling through mass distribution, advertising, and so on).<sup>4</sup> However, this demand for professionalisation also concerns the South. EFTA’s principles state very explicitly that producers’ groups must “seek to produce a marketable product”.<sup>5</sup> There, too, the aim is to reach a larger number of consumers, but in the activists’ view, the aim is also to sell quality products that establish a relationship of dignity, rather than charity, between producers and consumers.

So, several questions in the assessment questionnaire that EFTA’s members use are aimed at the “small producers” that we have just been discussing. These are questions about working conditions (health and safety), procedures of democratic representation, degree of marginality, community development projects carried out, and so on. However, the information that is requested is also aimed at determining whether the imported goods meet European technical standards and consumer tastes (quality approach, innovation, design, etc.) and whether the producers have sufficient production and export capacities. The first consequence of this approach is that the craftwork increasingly undergoes cultural adaptation. Even though some people continue to regret this, even though they speak about “teamwork” and “local designers” to defuse criticism, it is currently acknowledged that the products are made to meet Western consumers’ tastes without necessarily adhering to the strict criterion of cultural authenticity (Littrell and Dickson, 1999; Grimes and Milgram, 2000). This also affects the nature of the producers who are selected. For example, in 2002 the importer Solidar'Monde (see box) asked Artisans du Monde Federation’s Board of Directors to choose between two Burkina Faso bronze casters’ organisations. It submitted the following opinion to help inform the board’s choice:

The Toure Issaka group has the advantage of being a group of authentic traditional bronze casters, which is not the case of Zod Neere. ... [but] one of the reasons that make us more

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<sup>4</sup> For a presentation of marketing techniques’ application to fair trade, see De Pelsmacker *et al.*’s article in this volume.

<sup>5</sup> EFTA, *Fair Trade Guidelines*, 1996.

inclined to choose Zod Neere is that...Toure Issaka seems to work as if coping with emergencies and in a situation of extreme [financial] precariousness from which it is impossible for them to extricate themselves without external support inside the country. It is hard for us to see how this group could evolve and shake off its precariousness, even though, of course, having work for part of the year would probably be of considerable benefit to them in the short run. ...Zod Neere, in contrast, seems to think about and have an approach aimed at development...And lastly, it is probably more reliable and more sustainable.<sup>6</sup>

The federation heeded this opinion and chose Zod Neere. It preferred an organisation with community development plans and market capacities that were described as high to another group that was more culturally authentic and marginal. In the past, opposite choices have been made and Solidar'Monde continues to work with some highly marginalised informal structures (especially a few partners who have been on the scene since its creation in the 1980s). However, today, when a new group is selected, awareness of the constraints associated with market participation leads to renouncing some of the principles that are specific to working with “small producers”.

In the same vein, FLO's standards state, “...the producers must have access to the logistical, administrative and technical means to bring a quality product to the market”.<sup>7</sup> For example, to apply for inclusion in the coffee register, a group must first of all fill out a questionnaire that specifies the means of communication and transport at its disposal and send in a sample of the coffee that it could export. The importers and industrialists that sell large volumes of coffee to supermarkets and/or food chains such as Starbucks refuse to have poor-quality products and demand regular deliveries (Argenti, 2004). Consequently, the producers' groups in FLO's register cannot be the most marginalised. This trend is reflected first of all in their strong geographical concentration. In October 2003, 33% of the suppliers (all products together) were in Central America, 26% in South America, 17% in Asia, 14% in Africa, and 10% in the Caribbean. Mexico alone had 16% of the organisations in the register.<sup>8</sup> These figures can be explained by the history of fair trade, but they also stem from the Mexican producers' better production and shipping capacities compared with Black African or Haitian producers. Next, several field studies have confirmed that purchases within each country are

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<sup>6</sup> Solidar'Monde, *Candidatures producteurs bronziers Burkina Faso*, 18 January 2002.

<sup>7</sup> FLO, *Generic Fair Trade Standards for Small Farmers' Organisations*, January 2003.

<sup>8</sup> Max Havelaar France, *Fair(e) Actualités*, January 2004.

clustered around the most developed organisations in the register and the least structured groups fail to get fair trade orders (Eberhart and Chaveau, 2002; Shreck, 2002; Murray, Raynolds and Taylor, 2003).

## **II. How to set the producers' remunerations?**

The ambition of boosting sales, even if that means being more competitive, is a source of injunctions that contradict the assertion of trade turned towards marginalised “small producers” who uphold cultural traditions. This contradiction between the will to participate actively in the market and the ideal of opposing the characteristics that are attributed to the conventional market is also clearly visible in the ways the prices that are paid to the producers are set.

### **1. “Fair prices”**

A poster used by Artisans du Monde in the early 1990s bore the following succinct text, “*Du café, juste un commerce ou un commerce plus juste?*” (“Coffee: Just trade or more just trade?”). In just a few words, the network asserted the assumed unfairness of conventional trade and the need to create an alternative. Speaking of fair prices implies a principle of setting the prices paid to producers that escapes the impersonal confrontation of supply and demand. It is in precisely this perspective that FLO strives to establish minimum prices for most of its products that are disconnected from market forces. The formula for calculating the minimum price that is being discussed within FLO should thus allow for production costs, the costs that are attached to converting to meet fair trade criteria (for example, the reorganisation of work), what is deemed to be a reasonable profit margin, and a bonus enabling the producers' groups to improve their production capacities and living conditions. On the other hand, it should not include the global production volume or consumer market prices, which are parameters associated with the way the conventional market functions. The aim is to assert a different way of framing the picture – a “reverse mechanism”, according to its proponents – that marks the specificity of fair trade.

### **2. Market prices**

This anti-market frame, however, is never totally closed to market influences (Callon, 1998). For example, when world coffee prices hit rock bottom in late 2001 the fair trade coffee sold in German and Swedish supermarkets cost twice as much as conventional coffee. While consumers agreed that the “fair trade” label justified a higher price, such a difference



made the product practically unsellable. Given this context, *FLO* mulled over the possibility of lowering the minimum price of coffee, and rumours that it would drop to US\$1.00 per pound (instead of US\$1.21) circulated throughout 2002. The idea of creating a fund for marketing operations was also considered as a more indirect way of coping with the crunch. Finally, the fair price of coffee remained unchanged and the creation of a marketing fund was postponed. It is true that the invoicing of certification visits that was decided in 2003 already places a financial burden on the producers. In addition, the gap between the minimum price and commodity market price for coffee has narrowed greatly over the past few years.

The tension concerns the level of the minimum price, but it can also concern the very existence of a minimum price. So, not all *FLO* standards impose a minimum price. The most noteworthy exception is tea, for which the producer and importer freely negotiate a market price to which a “development premium” in the amount set by *FLO* is added. The negotiated price is supposed to “at least cover [the] cost of production”<sup>9</sup>, but nothing sets it formally. When the rice standards were drawn up in 2001, there was a debate within *FLO* between the advocates of a “market approach” and those of a “minimum price approach”. The former argued their case based upon the risk of completely disconnecting purchasing prices from conventional market conditions and the latter upon the danger that freely negotiated prices might not cover production costs. The upshot of these discussions was the drafting in 2003 of rice standards that involved the payment of a 10-12% premium above the market price and then, one year later, the drafting of new standards that this time set minimum prices.

There are also no minimum prices for craftwork imported by EFTA members. The problem for these goods hinges on the difficulty of establishing a nomenclature for the items being traded. The purchase prices are set case by case and take account not only of the producers’ production costs and needs, but also of the prices that the items could fetch in the North. Some items that are deemed too expensive thus cannot be bought, possibly despite the value of their makers’ development projects. For other goods, a round of bargaining is launched to get lower rates. Consequently, it happens that the purchase prices paid by fair trade importers are the same as those paid by conventional trade buyers. Many activists find this difficult to swallow, given that they are used to associating a fair price with one that is necessarily above the market price or hold that the importer should never challenge the producer’s asking price. Yet that does not mean in itself that the prices paid do not enable the producers and their families to earn a decent living or to “live in dignity”, to quote the

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<sup>9</sup> *FLO, Fair Trade Standards for Tea*, October 2004.

campaign slogan. These activists' reactions attest above all to the discomfort that is generated by fair trade's current positioning in the scheme of things. Being opposed to the market is not enough to be protected from market forces.

### **III. Direct or intermediated relationship?**

Working with "small producers" and setting "fair prices" calls for knowledge of the producers' groups' situations and taking this into account in establishing trade relations. However, the objective of personalising relations does not stop there. Fair trade activists want to establish direct links and "interknowledge" between producers and consumers.

#### **1. "The idea of the invisible hand has given way to the idea of working hand in hand"<sup>10</sup>**

Fair trade is opposed to the presence of local middlemen or moneylenders ("loan sharks" or "usurers") who use their positions of strength to impose their conditions on "small producers". According to a deeply rooted stereotype among fair trade activists, such parties are "coyotes", "parasites" that get rich at the workers' expense. Fair trade is then described, for example in Artisans du Monde's teaching kits, as including fewer middlemen than conventional trade. Moreover, EFTA's principle's and FLO's standards alike stipulate that fair trade importers must pay for a part of their orders in advance so that the producers do not have to borrow funds at exorbitant rates.

The goal of a direct, personalised relationship also means that the importers are involved in a lasting relationship with the producers. In a stationary market such as that of craftwork, such a stand corresponds to a principle of non-competition. When the Artisans du Monde network already has a partner for a specific type of crafted article, it abstains from working with another group that would compete with its current partner. The activists consider this an indispensable rule, once again to distinguish fair trade from the conventional market. To use the famous terminology, voice and loyalty must be preferred to defection (Hirschman, 1970). The lack of a personalised, lasting commitment would lead the discussion back solely to the matter of products and prices and result in behaviour that would be incompatible with the producers' development.

Finally, Artisans du Monde and Max Havelaar's activists want to have "interknowledge" relationships with producers. They want to know how the producers work, exchange

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<sup>10</sup> Brid Bowen in EFTA (2001, p. 25)

information about their daily lives, know what their plans, projects, and difficulties are. While this link with the “producers behind the products” is important for the activists themselves, it is also important because it must be extended to consumers. Even if the physical distance between the parties does not change, Michael Goodman explains, it is nevertheless possible to reduce the feeling of distance and otherness such that “the well-off ‘us’ (consumers) and poorer ‘them’ (producers) becomes a ‘we’ (participants in the same network)” (Goodman, 2004, p. 907). In Artisan du Monde’s shops, this link is forged by displaying panels depicting the groups or their locations on a large world map. Information, snapshots, and testimonials are also printed on the foodstuffs’ packaging or on small cards attached to the craft items that are bought. Finally, the salespeople see it as their duty to discuss development issues with their customers and fill them in on the product’s “story”.

Ultimately, the dream fair trade chain is a transparent relationship of reciprocal knowledge and respect between producers and consumers on a market devoid of merchants. Of course, fair trade chains actually operate in less black-and-white and, above all, more variable, ways.

## ***2. Intermediation and impersonalisation in the Artisans du Monde chain***

In the early 1980s, Artisans du Monde had some twenty shops in France and no centralised importing structure. The shops placed their orders directly with the producers’ groups that they had found through common acquaintances and then exchanged items amongst themselves in order to increase their ranges. Solidar’Monde was created in 1984 for the purpose of importing foodstuffs. Since the latter came from other European fair trade agents, this did not trigger any major discussion within the movement. However, debate quickly arose around the possibility of extending this centralisation to craft items in order to rationalise ordering and warehousing. It nevertheless took two general assemblies of the Artisans du Monde Federation to reach agreement on the principle of centralising craft imports. The main reasons for the members’ reservations had to do with the disappearance of the direct, personalised link that would result from Solidar’Monde’s intermediation. This argument explains why even today some Artisans du Monde groups continue to import items directly as a sideline. Many of the volunteers in the particular group that I observed feel that such relations are vital. For example, the group buys items from a centre for physically disabled children in India that was created by a volunteer’s uncle. At each meeting this volunteer reads out letters recounting life at the centre. These moments have all the characteristics of information about friends whose lives the group has been following for

years, whose successes are reasons for rejoicing (for example, when the centre's children are at the head of their classes in the local school) and whose problems are announced cautiously ("I'm afraid that the news is not good...").

Solidar'Monde tries to maintain such ties with the producers by transmitting written information about them to Artisans du Monde's activists and by organizing visits for producers' representatives, but the relations that are instituted are less regular and intense than those that the decentralised import schemes made possible. Yet for all that, there are no plans to return to the old system. Centralised purchasing management enables the network to rely on a larger number of producers' groups, greatly facilitates stock and delivery management, and makes the creation of a wide, co-ordinated, and frequently renewed product range possible. In a context in which active participation in the market is advocated (selling more to support more producers) and competition between fair trade importers is fierce, centralising imports appears to be inevitable for the Artisans du Monde network.

This confirms the opposition between the injunction to participate in the market and that of opposing the market. However, we are also starting to understand better that the arbitration between these two injunctions can take several forms. The shops' direct imports and centralised importing thus appear to be two ways of structuring the chain that assign relative weights to the desire to be commercially effective and the desire to create a "different kind of trade". One volunteer with a long history in the Artisans du Monde movement expresses this positioning difference perfectly as she stresses not only the degree of personalisation but also the type of producer involved and the shops' price-setting procedures:

[When it comes to] Solidar'Monde, it has to stand on its own two feet; things must be balanced; it is not charity work. And it is true that sometimes we deplored their refusal to work with small co-operatives, with small groups...as I objected, "That is our main reason for being!" Yes, it's wonderful, for example, to import embroidery from Palestine, but if it doesn't sell, whom does it help? What good is it? So, we were truly harassed, we had requests from Palestinian women, it was horrible, truly horrible... We were directly in touch with these Palestinian women, and they wrote us heart-rending letters, and then their embroidery didn't sell, because a selling price had to be set, and when it comes to prices, Solidar'Monde is a hard bargainer: If it doesn't sell, they don't take it... Artisans du Monde aims to be more structured. [Silence] In the beginning, Artisans du Monde was like that, somewhat, very strong on relationships, and as it became more structured we lost a little of that. That is why the longstanding members here are highly committed to

maintaining relations with direct partners, because some of that comes through. We get news from them; they write to us, we wonder what is happening when we get no news from them...<sup>11</sup>

## **IV Controlling the chain or delegating business activities?**

The idea that I ultimately wish to defend is that of a continuum of possible positionings assigning different relative weights to the imperatives of effective business and opposition to the market. Seen from this standpoint, the labelled chain set up under FLO appears to be located on a third level of market participation after direct and integrated chains. This induces some significant perverse effects regarding the goal of creating a “different type of trade”.

### **1. Delegation as a sales-boosting strategy**

The difference between the integrated chain (Artisans du Monde) and labelled chain (Max Havelaar) lies in the classic alternative of doing something and having it done. The integrated chain's organisations run their commercial operations themselves. The labelled chain, in contrast, is marked by twofold delegation, that of selling and importing. Several types of agent are involved in the sales end (restaurants, food chains, catering, mail-order houses, etc.), but the main targets are hyper- and supermarkets. Max Havelaar France's employees and volunteers are very quick to criticise the way the major distribution chains work, but in a country where, as they systematically point out, 80% of consumer goods are sold via these circuits, refusing to take part in the mass distribution system amounts to action throttling the producers' development. In other words, whereas the Artisans du Monde network has fewer than 150 shops across the entire country, the 10,000 POS in France that sell labelled products give each and every resident of France access to fair trade. So, Max Havelaar's Dutch founders, Nico Roozen and Frans Vanderhoff (2002), explain that they would have liked to have imported and processed the products for mass distribution themselves, but had to give up such ideals because of the lack of financial means and marketing expertise of the international solidarity organisations that supported their project. The labelling strategy was thus a way of recognising that large-scale business activity was not within the scope of the organisations spawned by solidarity associations and it would be better to delegate such tasks to external agents.

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<sup>11</sup> Artisans du Monde volunteer interviewed on 5 February 2003.

## **2. The perverse effects of delegating activities**

The labelling-delegating strategy aims to change the scale of fair trade. Moreover, there is no doubt that it is perfectly effective on this score. Six to seven times more fair trade products were sold in supermarkets than in specialised shops in 2004 in France alone (this same ratio is borne out across Europe as a whole – see Krier, 2005). However, delegating activities also has perverse effects on the ambition of creating a type of trade that differs from conventional market activities.

First of all, delegating a task increases its impersonality. Compared with Solidar'Monde's employees, Max Havelaar France's employees have little reason to be in touch with the producers and are less able to provide information about them. Next, the centralisation of monitoring and support functions for the producers' organisations under the FLO system has increased the northern activists' distance from the southern producers even more (Murray, Raynolds and Taylor, 2003). Finally, the creation of links between producers and consumers is weakened by selling through supermarkets. It is difficult to post more information than what can be fit on the package and impossible to be physically present in each and every supermarket to tell shoppers about the producers' living conditions.

This loss of contact goes hand in hand with a loss of control. In integrated chains, fair trade associations control the commercial activities they are carried out. In labelled chains, they merely check that practices comply with pre-established standards. FLO does not choose directly the organisations that benefit from fair trade. By setting up a register of groupings that meet its criteria, it merely draws up a shortlist of sources from which the registered traders select their suppliers. Importers in the labelled chain are thus perfectly free to prefer to work with already well-structured groupings rather than “marginalised small producers”. They can also prefer private plantations to “small farmers' co-operatives”. Most of the FLO registers do not propose such a choice, but when they do, as in the case of bananas or tea, competition between private plantations and co-operatives generally ends up favouring the former, given their ability to deliver more constant quality and at more regular intervals (Shreck, 2002). The difference between the integrated and labelled chains in this respect is important. If Artisans du Monde's activists wish to, they can force Solidar'Monde, of which they are shareholders and the main customer, to work more with groups that fit the “small farmer” or “craftsman” image. Max Havelaar's activists cannot impose such demands on the commercial operators, unless they push through a difficult change in their standards.

Comprehension is dawning that delegating these tasks entails a change in the market's structure and creates conditions for competition between the producers' groups. Being included in the producers' register proves that an organisation meets fair trade standards but does not automatically result in purchases. Forty percent of the organisations in the coffee register have never had a single order under fair trade terms (Eberhart and Chaveau, 2002). All in all, only one-fifth of the tonnage of coffee produced under fair trade conditions is bought at the minimum price set by FLO. The rest is sold at global market prices or slightly above the market price when the additional quality warrants it. The producers are thus objectively in a situation of competition and fair trade importers have the power to bargain in their favour. However, things do not stop there. The delegation strategy also leads to granting the label to all traders who meet FLO's trade standards and then letting them look for distributors on their own. Some twenty coffee roasters were offering fair trade coffee to supermarkets in France in early 2005. (The number of fair trade suppliers of other commodities, such as chocolate and bananas, is more limited for the time being.) Given the very high concentration of the French supermarket sector, the roasters are under great pressure. As Marie-Christine Renard points out so well, "...paradoxically, while this network was intended to avoid mechanisms for competition, they begin to appear" (Renard, 1999, p. 498). As a result, we can add, whereas the aim of fair trade is to cancel out downstream market power, the labelling-delegation strategy ends up restoring this power.

This pressure, which comes to bear first on the registered traders, and then on the producers, can have effects that are contrary to the plan of building alternative trade. Coffee farmers agree to sell the non-fair-trade parts of their harvests at below-market prices in change for increases in the volumes sold at the fair minimum price. This practice, which FLO calls "bonded contracts", is an indirect way to reduce the fair minimum price. Similarly, the partial prefinancing of harvests is not systematic. Here, too, there is not really any fraud, for, according to FLO standards, this prefinancing is done "on the request of the seller".<sup>12</sup> The importer's bargaining position can then be one of forgoing prefinancing in exchange for a larger order. Such malfunctioning is more improbable in integrated chains. Solidar'Monde and its European counterparts cannot use a non-fair-trade part of an order in bargaining over the purchasing conditions. Next, the shops for them are relatively captive outlets that do not demand high profit margins. Finally, the commitment to a long-term business relationship that is so strongly asserted in the integrated chains tends to reduce the possibility of such

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<sup>12</sup> FLO, *Fair Trade Standards for Coffee*, June 2004.

manipulations. In contrast, the *FLO* standards are rather undemanding in this regard. While, in principle, "...buyers and sellers will procure to establish a long-term and stable relationship"<sup>13</sup>, the formal requirements do not exceed one season. Labelled fair trade is a still young and fragile initiative and imposing too demanding standards would run the risk of dissuading commercial players from taking part in it.

This does not mean that the levels of FLO's standards are fundamentally low. In reality, they are definitely much higher, especially when it comes to the fair price and collective representation criteria, than those of competing labels such as Bioéquitable, Rainforest Alliance and Utz Kapeh. The Bioéquitable label has won over only a few small companies in France so far, but in the United States the Rainforest Alliance's criteria have attracted the food giants Kraft Foods, Procter & Gamble and Chiquita. Similarly, Sara Lee is working with Utz Kapeh to certify part of its Douwe Egberts coffee in the Netherlands and Belgium. For FLO's members, who are financed by the licence fees that their registered traders pay, these situations mean losses to make up and a risk of bankruptcy. Once again, this situation is the result of a delegation strategy that leads to being dependent on commercial operators' participation. If FLO does not want to lower its standards, it can only bank on its image and customer knowledge and recognition. This is a difficult wager, given that the latter are even less used to looking at what lies behind a label than behind a product. While fair trade contests commodity fetishism, one of the hobbles on its development is precisely the predominance of this fetishism in consumers' behaviour (Hudson and Hudson, 2003).

## Conclusions

This article does not evaluate the match between fair trade principles and practices. It shows, rather, that the presence of contradictory principles makes such an assessment extremely subjective. Boosting sales is now an integral part of the fair trade plan, on a par with constructing a different form of trade. For example, saying that Solidar'Monde's intermediation harms the personalisation of trade relationships is not enough to condemn this intermediation, given the additional number of outlets it creates for Third World producers' groups. Similarly, while the labelling-delegating strategy induces regrettable malfunctioning, it remains a way to boost the market for the producers' outputs considerably. Several types of fair trade are possible and direct imports by shops, the integrated chain, and the labelled chain are in this regard three stages on a continuum in which practices are turned more and more

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<sup>13</sup> *Ibid.*



toward market participation and guided less and less by opposition to the market. The question that can be raised is that of the limits of such a continuum. Is it still possible to talk about fair trade when such criteria of opposition to the market as a minimum price and collective representation have been dropped, as the Bioéquitable, Rainforest Alliance, and Utz Kapeh labels have done?

More generally, this analysis of fair trade updates and refines Max Weber's (1978) pessimistic finding that it is impossible to rebuild within the capitalist system an economy governed by substantive rationality that is mindful of people and concerned about moral, religious, political, and aesthetic imperatives.<sup>14</sup> Several recent economic sociology studies suggest that Max Weber was doubtless wrong to consider the capitalist market order's constraints to be a homogeneous, omnipotent force. Market transactions in capitalist economies can accommodate a variety of justifications meeting different principles of fairness without one's necessarily assuming that formal, calculating, self-interested rationality is at work (Boltanski and Thévenot, 2006). Moreover, there are numerous situations of markets in which the written rules, cultural representations, and/or balances of power interfere deeply with the impersonal mechanism of matching supply and demand that Weber described (Fligstein, 2001; Zelizer, 2005). In showing the social underpinnings of the various fair trade chains' construction and the variety of ethical principles that preside over their development, the work summarised in this article confirms these analyses' relevance (for more in the same vein, see Reynolds, 2002). Despite all that, this work also cautions against focusing only on the social conditions of market building. The constraints linked to participating in the capitalist market order of which Weber (1978) spoke must be grasped with discernment, but must not be taken out of the analysis. Like Andrew Sayer (2001), I believe that one cannot understand how markets work by postulating the existence of a market force that is independent from social considerations or concentrating exclusively on the variety of contexts in which exchanges take shape. The social construction of market transactions and constraints of the market order are mutually determined and must be examined together. So, when Artisans du Monde and Max Havelaar's activists call for fairer and less anonymous relations with the producers of the South, this of course refers to a cultural representation of the ravages

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<sup>14</sup> The following sections in the two volumes of *Economy and Society* raise these issues directly: "Formal and substantive rationality of economic action", "The disintegration of the household: the rise of the calculative spirit and the modern capitalist enterprise", "Religious ethics and the world: economics", "The market: its impersonality and ethic", and "Hierocratic and charismatic ethics versus non-ethical capitalism" (Weber, 1978, pp. 85-86, 375-381, 576-590, 635-640, and 1185-1188).

wreaked by the conventional market, but also results from a very real trend in the capitalist world that they feel all the more strongly for being caught in its grip.

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